

Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 EB-11 TRSE-00 TAR-02 L-03 COME-00 STR-08

CIAE-00 INR-11 NSAE-00 RSC-01 H-03 SS-20 NSC-07

CIEP-03 CEA-02 OMB-01 /093 R

DRAFTED BY ARA/BP:JSLATTERY:TR

APPROVED BY ARA:WGBOWDLER

ARA/BR:RJBALLANTYNE

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R 091859Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L STATE 174193

E.O. 11652: GDS

TAGS: ETRD, PFOR, BR

SUBJECT:COUNTERVAILING DUTIES

REF: A) STATE 163985, B) BRASILIA 5915

1. ACTING COUNTRY DIRECTOR (BALLANTYNE) AND ECONOMIC OFFICER (SLATTERY) CALLED ON AMBASSADOR ARAUJO CASTRO AFTER-NOON AUGUST 7 TO DELIVER THIRD PERSON NOTE IN REPLY TO EMBASSY'S AIDE MEMOIRE OF JUNE 17 AND ITAMARATY NOTE 52. TEXT BEING POUCHED EMBASSY BRASILIA BUT CONTAINS NO SUBSTANTIVE CHANGES FROM REFTTEL A.

2. AMB. INTERPRETED OUR NOTE AS INDICATION THAT TREASURY WILL APPLY DUTY ON BRAZILIAN SHOE IMPORTS. BALLANTYNE CLARIFIED THAT TREASURY STILL ANALYZING DATA AND HAD NOT REPEAT NOT MADE FINAL DECISION, BUT UNDER CLOSE QUESTIONING BY AMBASSADOR CONCEDED THAT HIS PERSONAL ASSUMPTION WAS DUTY WOULD BE APPLIED.

3. AMB. SAID THAT HE HAD EXPECTED US RESPONSE WOULD EMPHA-
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SIZE NECESSITY TO FULFILL REQUIREMENTS OF INTERNAL US LAW

BUT OBSERVED THAT THIS NEVERTHELESS CONTRAVENED US INTERNATIONAL OBLIGATIONS. BALLANTYNE POINTED OUT THAT NOTE MADE CLEAR THAT IN OUR VIEW US ACTION UNDER COUNTERVAILING LAW DID NOT REPEAT NOT VIOLATE US INTERNATIONAL OBLIGATION-. AMB. REPEATED SEVERAL TIMES THAT SHOE PROBLEM WAS NOT REPEAT NOT VERY IMPORTANT IN ITSELF AND WOULD NOT REPEAT NOT SERIOUSLY DAMAGE BRAZILIAN ECONOMY. HOWEVER, IN HIS VIEW, AS PART OF GENERAL ISSUE OF TRADE RESTRICTIONS AND IN OVERALL US-BRAZILIAN RELATIONS IT COULD CAUSE PROBLEMS BY INDICATING NOT ONLY TO BRAZIL BUT TO ALL LA A "RETURN TO REALITY" AND COOLING OF HOPES AROUSED BY SPIRIT OF TLATELOLCO. ECONOFF NOTED THAT PASSAGE OF TRADE REFORM ACT AND PROGRESS IN MULTINATIONAL FORA TOWARD INTERNATIONAL AGREEMENT ON SUBSIDIES AND COUNTERVAILING DUTIES WOULD HELP AVOID MANY OF THE BILATERAL DIFFICULTIES PRESENTLY CAUSED BY US LEGISLATION. AMB. WAS UNIMPRESSED BY THIS ARGUMENT, RESPONDING THAT HE PERSONALLY PESSIMISTIC ABOUT CHANCES OF TRA PASSAGE IN PRESENT POLITICAL CLIMATE.

4. SINCE IDENTIC NOTE ALREADY DELIVERED TO FOREIGN MINISTER, ARAUJO CASTRO STATED HE DID NOT REPEAT NOT PLAN TO TRANSMIT TEXT OF OUR RESPONSE TO BRASILIA. KISSINGER

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